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FILE

US WEST, Inc.
Suite 700
1020 Nineteenth Street, NW
Washington, DC 20036
202 429-3131

Laura D. Ford
Associate General Counsel-
Federal Regulatory

USWEST

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

EX PARTE

January 11, 1993

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Stop Code 1170
Washington, D.C. 20554

RE: CC Docket 92-101/Employers' Accounting For Post Retirement Benefits Other Than Pensions

Dear Ms. Searcy:

The attached material were provided to Chairman Sikes, Charla Rath, Telecommunications Advisor to Chairman Sikes, Commissioner Barrett, Madelon Kuchera, Special Advisor to Commissioner Barrett, Commissioner Quello, Lauren Belvin, Legal Advisor to Commissioner Quello, Commissioner Duggan, Linda Oliver, Legal Advisor to Commissioner Duggan, Commissioner Marshall, Kathleen Abernathy, Legal Advisor to Commissioner Marshall, Cheryl Tritt, Chief of the Common Carrier Bureau, Greg Vogt, Chief of Tariff Division, and Mary Brown, Deputy Chief of Tariff Division in connection with the above-referenced proceeding. In accordance with the Commission's ex parte rules, please include a copy of this letter and the attachments in the record in this proceeding.

Acknowledgment and date of receipt of this submission are requested. A duplicate letter is attached for this purpose.

If you have any questions, please let me know.

Sincerely,

Laura D Ford

Attachment

No. of Copies rec'd 0+1
List A B C D E

U S WEST, Inc.
7800 East Orchard Road Suite 200
Englewood, Colorado 80111-2526
303 793-6482

Richard D. McCormick
Chairman and Chief Executive Officer

U S WEST

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

January 7, 1993

Chairman Alfred C. Sikes
Federal Communications Commission
1919 "M" Street - Room 814
Stop Code 0101
Washington, DC 20554

Dear Chairman Sikes:

On December 31, 1992, the Common Carrier Bureau issued an accounting order allowing U S WEST's OPEB tariff to become effective subject to the Commissioner's ultimate determination of exogenous treatment. This tariff change is important because it recognizes that over the past decade, the prices charged for telephone services did not include the cost of providing medical benefits to retired employees. It also recognizes that it was only due to the lengthy deliberations by the accounting profession on the appropriate treatment of these costs that they were not reflected in price cap rates. The Bureau had previously indicated that we should await the final FASB determination before requesting appropriate rate treatment. The Commission recognized this timing anomaly and the mandatory nature of the accounting change by sending me a strong signal in its price cap orders that these costs would be fairly reflected in our rates through exogenous treatment under price caps.

I applaud the Commission for taking this step of allowing U S WEST rates to reflect these postretirement benefit costs, however, I have two concerns that I wish to share with you.

First, the Commission has still not reached a final decision concerning exogenous treatment of OPEBs. U S WEST's tariff was filed in April, 1992 and we are now into 1993. U S WEST purposely chose a filing date nine months before the mandatory effective date of January 1, 1993 to give the Commission adequate time to consider exogenous treatment. The effective date has come and gone and the make-up of the Commission will be changing. It is important that the Commission issue a final decision without further delay so this uncertainty surrounding exogenous treatment can be resolved.

Second, when the FCC approved price caps two years ago, it made a fundamental change in the way it regulated our industry. Although our company advocated that the FCC adopt a pure price cap plan, the Commission, in view of the record before it at that time, elected a middle of the road approach that included aspects of rate of return ratemaking such as earnings caps and sharing zones. Recognizing that it had opted for a hybrid approach, the FCC also included the exogenous treatment provision to allow increases and decreases in prices to reflect changes beyond the control of the price cap companies.

In the first two years under price cap regulation, U S WEST's annual price cap filings have included cumulative exogenous cost decreases totaling $169 million, primarily for accounting changes. Our filing shows that absent exogenous treatment for this accounting change, U S WEST will be unable to recover through the price cap formula retiree medical costs that relate to prior periods.

U S WEST has been very aggressive in managing its health care costs and will continue to do so in the future. Providing services at a competitive price to our customers will provide the best incentive to manage our health care costs over time while ensuring through proactive employee participation in the process that human needs are met. I am committed to upholding our part of this bargain.

If you would like to discuss this issue more, please contact me or Laura Ford, Vice President - Regulatory Affairs, at (202) 429-3131.

Sincerely,

Richard D McCormick